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THE DEPARTMENT OF STATE, WASHINGTON

FROM : American Consulate General, Accra

TO :

DESP. NO. 228

DATE 9

REF : Despatch No. 199, April 5, 1956, Despatch No. 211, April 16, 1956, Accra Telegram No. 88, April 27, 1956

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	REC'D 5-11	INFO Rm/R-2 REP-2 OLI-6 E-7 ICA-10 EUR-4 Com-12 ARMY-5 CIA-6 IN-7 FRB-1 AIR-3 FRB-2 TR-3 London-1 Lagos-1 Monrovia-1

SUBJECT: Current Status of the Volta River Project

Completion of the Work of the Preparatory Commission

As the Department is aware, the Preparatory Commission for the Volta River Project, headed by Commander Jackson, completed its exhaustive study several months ago. Publication has been held up by a printer's strike in England, and it is not expected to be released before the end of June. Informed sources are generally of the opinion that it will be publicly released when available, although there is a possibility that it will be held back for political reasons.

The report goes into the fullest detail on all aspects of the scheme. For the purposes of the present Despatch, however, it is only necessary to mention that the total cost as envisaged by the report is about £ 233,000,000, of which the Canadian Company would put up something under £ 100,000,000, the remainder to come from the United Kingdom and the Gold Coast. This estimate includes provision for a 40% rise in costs over the existing base, due to higher cost of living, increased cost of materials, etc. When this provision for higher costs is removed, the project scales down to something like £ 160,000,000, of which about £ 70,000,000 would be supplied by the Canadians and the rest by the Gold Coast and the United Kingdom.

Position of the Canadian Aluminum Company, Ltd.

As reported in Despatch No. 211, K.C.Tours, Economic Advisor to the Gold Coast Government, and various other Gold Coast officials, plus Professor Arthur Lewis of Manchester University, and S. Ratnam, an Indian expert, met recently in L[illegible]ith British officials and the Canadians for a preliminary discussion of the [illegible]

In Despatch No. 199, the doubts expressed privately by the Canad[illegible] were reported to the Department. [redacted] the Canadians did no[illegible] ject of their political misgivings at the meeting. However they pres[illegible] virtually amounted to a completely new proposal. [redacted]

[redacted] states that the Canadians proposed to use imported [illegible]. The Canadians also wished to cut the size of the project materially, reduce their share of the inves[illegible] and have the smelter a joint venture, instead of completely financed by the co[illegible] originally proposed. These views, which drastically alter the financing and other aspects, were apparently a fixed position on the part of the Canadians, and one from which they were prepared to deviate to any extent.

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Position of the British Government

[redacted] It appears, moreover, that the Board of Trade has changed its position, and is now not vitally interested in pushing a sterling source for aluminum. Since the Gold Coast will shortly become independent, the Colonial Office is not too concerned with the matter. It has therefore been decided that the British side of the project will be the concern of the Secretary of State for Commonwealth Relations. In view of the new position of the Board of Trade, the Treasury is likely to take an increasingly dim view of the extremely high costs. The British consider that, in fact, the full weight of all expenditure other than capital provided by the Canadian company will fall on the British, since they will have to finance their part, and the Gold Coast expenditures will have to be met out of reserves withdrawn from London.

Two British considerations seem to have emerged from this (1) that they will welcome a reduction in the scale and costs of the project and (2) that outside financing must be obtained, for which the World Bank is the obvious source.

Position of the Gold Coast

The Gold Coast is clearly going to have to reassess the Volta River project in the light of the expressed views of the Canadians and the British. [redacted] indeed, from some aspects, it might be beneficial to the Gold Coast. This is a matter, however, which will have to be determined by the Cabinet after a careful study by a staff of its own. At the present time, the Cabinet is far too deeply involved with other problems to give any thought to this matter, and is unlikely to be able to touch on it until after the budget session, elections, and the formation of a new Cabinet. The ball is thus in the Gold Coast court, and liable to rest there peacefully until about August or September at the very earliest. The Preparatory Commission has completed its work and will presumably go out of existence. [redacted] there will thus be no available staff to provide the technical background, [redacted] who clearly does not contemplate doing this work.

Thus there is no Cabinet position on the subject, and none is likely to materialize for some time, nor is there any indication how the Prime Minister and others have or will react to the Canadian view.

Gbedemah's Trip to the World Bank

In Telegram No.88, the Department was informed of the departure on April 29 of Gbedemah, Minister of Finance, to visit Mr. Eugene Black of the World Bank. Gbedemah is accompanied by Hepburn Smith, the Permanent Secretary of Finance. Gbedemah is supposed to take preliminary steps towards a Gold Coast application for membership in the Bank after independence. This apparently arose out of the advice of S. Ratnam and others, who told the Gold Coast officials that the World Bank would have to/

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have to make a credit survey before accepting an application for membership, and that this might take anywhere from a year to eighteen months. Gbedemah's view is to try to persuade Black to make the survey prior to independence so that membership could be achieved at an early date.

It is quite clear that all of this sudden interest in the Bank is directly linked to the British position on the Volta River project. [redacted] that Gbedemah, in his conversations with Black, will raise the subject other than rather indirectly. [redacted] have indicated that he may put the cards quite clearly on the table.

Action Requested

In order to facilitate the Reporting Officer in following this matter, it will be much appreciated if the Department will make available to the Consulate General as much information as possible on the conversations between Black and Gbedemah, together with any comments which Gbedemah may make to the Department.

Donald W. Lamm
American Consul General

Department please repeat to London, Lagos, Monrovia.

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